THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY, OHIO

(DBA MILLENNIUM COMMUNITY SCHOOL)

Single Audit

For the Fiscal Year Ended June 30, 2008

Kennedy
Cottrell
Richards

Accountants & Consultants for Business & Government

Mary Taylor, CPA
Auditor of State

Board of Trustees
Ohio Achievement Charter Schools, Inc.
DBA Millennium Community School
3500 Refugee Road
Columbus, Ohio 43232

We have reviewed the *Independent Auditor's Report* of the Ohio Achievement Charter Schools, Inc. DBA Millennium Community School, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Finding for Recovery

Millennium made double payments on certain supplemental contracts for contract period September 1, 2007 through August 31, 2008. In these cases, the teachers were paid by the School the amount of their supplemental contract both by adding the supplemental contract amount to their regular wage contract amount and making equal payments over 24 pay periods and making payments separate from the teachers' regular wage on an hourly basis over the course of 24 pay periods.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the employees listed in the chart below, individually, in the corresponding dollar amounts, and in favor of Millennium's General Fund:

	Name	Amount
1.	James Rollins	$2,000
2.	Antonio Smith	$333
3.	Leroy Thornton	$2,000
4.	Molly Vogel	$2,000

During this period, Millennium contracted with two fiscal agents for Treasurer Services, with Franklin Carter designated as Project Manager (September 1, 2007 – April 1, 2008), and Mangen and Associates, with Doug Mangen designated as Treasurer (April 1, 2008 to current).

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex.rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

Additionally, Franklin Carter, Treasurer services, and Brunswick Companies, Franklin Carter's bonding company, will be jointly and severally liable in the amount of $3,694; Doug Mangen of Mangen and Associates, Treasurer services, and Auto Owners Insurance Company, Doug Mangen's bonding company, will be jointly and severally liable in the amount of $2,639, all in favor of Millennium's General Fund to the extent that recovery is not obtained from those individuals listed above.

Millennium has entered into agreements with James Rollins and Leroy Thornton, respectively, for restitution of the above findings through current payroll deductions and monthly payments. Mr. Rollins has agreed to a 10% reduction to his gross pay starting with pay period October 30, 2009 until full restitution is made to the School. As of December 28, 2009, Mr. Rollins has had a total of $600 deducted from the following payroll checks; November 13th and 30th, and December 15th. Furthermore, Mr. Thornton has agreed to pay $200/month until full restitution is made to the School; as of December 28, 2009 Millennium has not received any payments from Mr. Thornton. On December 31, 2009 Millennium received a check (3017) dated December 4, 2009 from Ms. Molly Vogel-Prater in the amount of $2,000.

On December 28, 2009, Millennium received check 438 from Mr. Mangen in the amount of $2,387. This amount is less than the $2,639 noted above based on the allocation of the $600 received from Mr. Rollins as of December 28, 2009; Mr. Mangen was credited with $252. It should be noted Mr. Mangen made restitution before Ms. Vogel-Prater's restitution was received.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio Achievement Charter Schools, Inc. DBA Millennium Community School is responsible for compliance with these laws and regulations.

Mary Taylor, CPA
Auditor of State

January 7, 2010

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THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY, OHIO

Table of Contents

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INDEPENDENT AUDITOR'S REPORT

The Ohio Achievement Charter Schools, Inc.
DBA Millennium Community School
3500 Refugee Road
Columbus, Ohio 43232

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Ohio Achievement Charter Schools, Inc., Franklin County, Ohio (the School), as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as disclosed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, except for the effects of such adjustments, if any, as might have been determined necessary had we been able to examine evidence regarding the School's Purchased Services and Materials and Supplies expenses and Miscellaneous Operating Revenues, the financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Achievement Charter Schools, Inc., Franklin County, Ohio, as of June 30, 2008, and the changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standard*s, we have also issued our report dated May 28, 2009, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

We conducted our audit to form an opinion on the financial statements that collectively comprise the School's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards LLC
May 28, 2009

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Management's Discussion and Analysis
For the Year Ended June 30, 2008
(Unaudited)

The discussion and analysis of the Ohio Achievement Charter Schools, Inc. (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

Financial Highlights

Key financial highlights for the Ohio Achievement Charter Schools, Inc. during fiscal year 2008 are as follows:

- Total net assets of the School decreased by $679,943 in fiscal year 2008 due primarily to obligations associated with the 2007 bond financing project for the new facility. Ending net assets of the School were $433,592 compared with $1,113,535 at June 30, 2007.

- Total assets decreased $29,056 from the prior year and total liabilities increased by $650,887 during this same 12 month period.

- The School's operating loss for fiscal year 2008 was $1,327,503 compared with an operating loss of $1,038,525 reported for the prior year. A lower level of student enrollment during the 2007-2008 school year was the primary reason for the $479,291 reduction in revenues from the 2006-2007 reporting period. Total operating expenses decreased by $190,313 over those reported for the prior year.

Using this Financial Report

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets, and a statement of cash flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Assets

The statement of net assets answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This statement reports the School's net assets; however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

Table 1 provides a summary of the School's net assets for fiscal year 2008 compared to those reported for fiscal year 2007.

Table 1
Net Assets

	2008	2007
Assets:		
Current assets	$ 485,912	$ 454,636
Capital assets, net	1,467,198	1,527,530
Total Assets	1,953,110	1,982,166
Liabilities		
Current liabilities	1,410,648	669,921
Non-current liabilities	108,870	198,710
Total Liabilities	1,519,518	868,631
Net Assets:		
Invested in capital assets	1,264,991	1,351,146
Restricted	67,500	-
Unrestricted	(898,899)	(237,611)
Total Net Assets	$ 433,592	$ 1,113,535

The total assets of the School decreased by $29,056, which represents a 1.5 percent decrease from total assets reported for fiscal year 2007. The current assets at the end of fiscal year 2008 were $31,276 higher than the current assets at the end of fiscal year 2007.

Capital assets, net of accumulated depreciation, decreased $60,332 or 3.9 percent during the current fiscal year.

Total liabilities of the School increased by $650,887 over those reported one year ago due primarily to obligations associated with the 2007 bond financing project for the new facility. The current liabilities related to account payables increased by $740,727 during the 2008 fiscal year.

Total net assets reported during fiscal year 2008 decreased by $679,943 from the previous reporting period. Unrestricted net assets decreased by $661,288 to ($898,899). Net assets invested in capital assets, net of related debt, decreased by $86,155 and restricted net assets increased by $67,500.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008 as compared to changes reported for fiscal year 2007.

Table 2
Change in Net Assets

	2008	2007
Operating Revenues:		
Foundation payments	$ 3,533,512	$ 4,064,198
Other operating revenues	151,295	99,900
Non Operating Revenues:		
Investment earnings	16,234	12,993
State subsidies	96,725	34,110
Federal subsidies	565,995	803,828
Total Revenues	4,363,761	5,015,029
Operating Expenses:		
Salaries & Wages	2,360,984	2,643,852
Fringe benefits	720,548	919,523
Purchased Services	1,653,367	1,239,017
Materials and supplies	175,604	305,895
Depreciation	72,298	71,040
Other	29,509	23,296
Non-Operating Expenses:		
Interest expense	31,394	23,755
Loss on Disposal of Assets	-	146,803
Total Expenses	5,043,704	5,373,181
Change in Net Assets	(679,943)	(358,152)
Net Assets, beginning of year	1,113,535	1,471,687
Net Assets, end of year	$ 433,592	$ 1,113,535

Total revenue decreased $651,268 for fiscal year 2008 compared with the prior fiscal year primarily due to the reductions in State Foundation and Federal subsidies revenue associated with lower student enrollment.

Total expenses reported for fiscal year 2008 were $329,477 lower than the expenses reported for fiscal year 2007 primarily due to lower staff expenses required to sustain educational programs for the lower student enrollment.

Capital Assets

At the end of fiscal year 2008, the School had $1,467,198 invested in buildings, leasehold improvements, and furniture, fixtures and equipment. There was a total of $11,966 in purchases which met the School's capitalization threshold during the year. See Note 5 of the basic financial statements for additional details.

Debt

At June 30, 2008, the School had debt obligations of $84,385 for Park National Bank note and $117,822 for capital leases for a total of $202,207. A promissory note was issued in Fiscal Year 2003 through Park National Bank used to pay off the capital lease of the modular buildings. The School entered into capitalized leases for the acquisition of equipment in prior fiscal years. During fiscal year 2000, the School entered into a lease agreement with the Obermiller, LLC for approximately six acres of property and the building located at the School. See Notes 13-15 of the basic financial statements for additional details.

Contacting the School

This financial report is designed to provide a general overview of the finances of the Ohio Achievement Charter Schools, Inc. and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of the Ohio Achievement Charter Schools, Inc., 3500 Refugee Road, Columbus, OH 43232.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008

ASSETS		
CURRENT ASSETS		
Cash and investments	$	339,187
Receivables - federal		96,725
Deposit held by others		50,000
Total current assets		485,912
NON-CURRENT ASSETS		
Capital assets (net of accumulated depreciation)		1,467,198
TOTAL ASSETS		1,953,110
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable		425,470
Intergovernmental payable		163,576
Contracts payable		14,054
Accrued wages payable		714,211
Capital leases payable		30,893
Note payable		62,444
Total current liabilities		1,410,648
LONG-TERM LIABILITIES		
Capital leases payable		86,929
Note payable		21,941
Total long-term liabilities		108,870
TOTAL LIABILITIES		1,519,518
NET ASSETS		
Invested in capital assets, net of related debt		1,264,991
Restricted		67,500
Unrestricted		(898,899)
TOTAL NET ASSETS	$	433,592

See accompanying notes to the financial statements.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

OPERATING REVENUES:		
Foundation payments	$	3,533,512
Miscellaneous operating revenues		151,295
Total operating revenues		3,684,807
OPERATING EXPENSES		
Salaries & Wages		2,360,984
Fringe benefits		720,548
Purchased services		1,653,367
Materials and supplies		175,604
Depreciation		72,298
Other expenses		29,509
Total operating expenses		5,012,310
Operating loss		(1,327,503)
NON-OPERATING REVENUES		
Interest earnings		16,234
State Subsidies		96,725
Federal Subsidies		565,995
Interest expense		(31,394)
Total non-operating revenues		647,560
Changes in net assets		(679,943)
Net assets (accumulated deficit) at beginning of year		1,113,535
Net assets at end of year	$	433,592

See accompanying notes to the financial statements.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
Cash flows from operating activites:	
Cash from Foundation Payments	$ 3,533,512
Cash payments from other operating revenue	151,295
Cash payments for personal services	(2,733,026)
Cash payments for contract services	(1,249,934)
Cash payments for supplies and materials	(173,991)
Cash payments for miscellaneous	(38,865)
Net cash used for operating activities	(511,009)
Cash flows from noncapital financing activites:	
Federal and State subsidies	767,663
Net cash provided by noncapital financing activities	767,663
Cash flows from capital and related financing activites:	
Downpayment on future capital acquisitions	(50,000)
Payments for capital acquisitions	(11,966)
Payments of principal on capital debt	(93,309)
Payments for interest on capital acquisitions	(31,394)
Net cash used for capital and related financing activities	(186,669)
Cash flows from investing activites:	
Interest on cash and cash equivalents	16,234
Net cash provided by investing activities	16,234
NET INCREASE IN CASH AND CASH EQUIVALENTS	86,219
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	252,968
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 339,187
Reconcililation of operating loss to net cash used for operating activities	
Operating loss	$ (1,327,503)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activites:	
Depreciation	72,298
Increase (decrease) in accounts payable	390,464
Increase in accrued wages payable	363,991
Increase in intergovernmental payable	7,154
Decrease in compensated absences	(17,413)
Total Adjustments	816,494
Net cash used for operating activities	$ (511,009)

See accompanying notes to the financial statements.

1. Description of the School and Reporting Entity:

   The Ohio Achievement Charter Schools, Inc. (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in kindergarten through sixth grade. The School, which is part of the State's education program, is independent of any school district and is non sectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

   The School was approved for operation under a contract with the Ohio State Board of Education (the Sponsor). The sponsorship contract was subsequently transferred to the Educational Resource Consultants of Ohio (ERCO) when the Ohio State Board of Education was no longer eligible to sponsor community schools. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

   The School operates under the direction of a six-member Board of Trustees (the Board). The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's instructional/support facility staffed by 29 non-certified and 38 certificated full time teaching personnel who provide services to 531 students.

2. Summary of Significant Accounting Policies:

   The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The School has elected not to apply FASB statements and interpretations issued after November 30, 1989. The more significant of the School's accounting policies are described below.

   A. Basis of Presentation

      Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The difference between total assets and liabilities are defined as net assets. The statement of revenues, expenses and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the Schools contract with its Sponsor. The contract between the School and its Sponsor does not prescribe an annual budgetary process for the School.

D. Cash and Investments

All monies received by the School are pooled and deposited in a central bank account. All monies of the School are maintained in this account or temporarily used to purchase short term investments.

During fiscal year 2008, investments were limited to STAR Ohio and repurchase agreements. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2008. Repurchase agreements are valued at cost.

For purposes of the statement of cash flows and for presentation on the balance sheet, investments with a maturity of three months or less at the time they are purchased are considered to be cash equivalents.

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School does not possess any infrastructure. The School maintains a capitalization threshold of $500. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimate Life
Buildings	50 years
Building Improvements	20 years
Furniture, Fixtures, and Equipment	10 years
Computer Equipment	5 years

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

G. Intergovernmental Revenues

The School is a participant in the State Foundation Program. The foundation funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

Intergovernmental revenues associated with the Foundation Program totaled $3,533,512 and revenues associated with specific education grants from the state and federal governments totaled $662,720 during fiscal year 2008.

H. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include revenues paid through the State Foundation Program and other miscellaneous revenues meeting this definition. Operating expenses are necessary costs incurred to support the School's primary mission, including salaries, benefits, purchased services, materials and supplies and depreciation.

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various federal and state grants, interest earnings, if any, and payments made to the School by other instructional entities for use of the School's instructional staff comprise the non-operating revenues of the School. Interest and fiscal charges on outstanding obligations, as well as gain or loss on capital asset disposals, if any, comprise the non-operating expenses.

I. Accrued Liabilities Payable

The School has recognized certain liabilities on its statement of net assets relating to expenses, which are due but unpaid as of June 30, 2008, including:

Wages payable – salary payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2008 contract.

Intergovernmental payable – payment for the employer's share of the retirement contribution, Medicare and Workers' Compensation associated with services rendered during fiscal year 2008 that were paid in the subsequent fiscal year.

J. Federal Tax Exemption Status

The School is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation less any outstanding capital related debt. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net assets of the School at year-end represent unspent federal and state grant resources for specific instructional program. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

3. Deposits and Investments:

Deposits: The carrying value of the School's deposits totaled ($40,756), and the bank balance totaled $31,000, all of which was covered by federal depository insurance.

Investments of the School as of June 30, 2008 were as follows:

Investments	Fair Value	Weighted Average Maturity (Years)
Repurchase Agreement	$147,731	0.00
STAR Ohio	232,212	0.00
Total Investments	$379,943	

Interest Rate Risk – The School's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The investments in STAR Ohio are rated AAAm by Standard & Poor's. The repurchase agreement is specifically pledged by a single security. The School places no limit on the amount that may be invested in any one issuer.

During fiscal year 2008, a $50,000 deposit was placed as a down payment on a building. The deposit was returned after the end of the fiscal year.

4. Intergovernmental Receivables:

All intergovernmental receivables are considered collectible in full due to the stable condition of State programs. Receivables at June 30, 2008 consisted of federal grants of $96,725.

5. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

Capital Assets:	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
Buildings	$1,617,772	$ 0	$ -	$1,617,772
Furniture and Equipment	182,336	9,465	-	191,801
Computer Equipment	157,591	2,501	(113,106)	46,986
Total Assets	1,957,699	11,966	(113,106)	1,856,559
Depreciation:				
Buildings	$ (230,172)	$(43,095)	$ -	$ (273,267)
Furniture and Equipment	(70,014)	(18,393)	-	(88,407)
Computer Equipment	(129,983)	(10,810)	113,106	(27,687)
Accumulated Depreciation	(430,169)	(72,298)	113,106	(389,361)
Net Capital Assets	$1,527,530			$1,467,198

6. Risk Management:

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. For the year ended June 30, 2008, the School contracted with Peerless Insurance Company for its insurance coverage as follows:

General Liability (per occurrence)	$1,000,000
General Liability (aggregate)	$2,000,000
School Leader Errors and Omissions Liability (per occurrence)	$1,000,000
School Leader Errors and Omissions Liability (aggregate)	$1,000,000
Employee Benefits Liability (per employee)	$1,000,000
Employee Benefits Liability (aggregate)	$3,000,000
Blanket Employee Dishonesty	$50,000

There was no significant reduction in coverage from the prior-year. Settlement amounts have not exceeded coverage amounts in each of the past three years.

B. Workers' Compensation

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is determined by the State.

7. Defined Benefit Pension Plans:

A. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statue per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; at June 30, 2007 (the latest information currently available), 10 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were $147,309, $162,511 and $176,351 respectively; 100 percent has been contributed for all fiscal years.

B. State Teachers Retirement System

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling toll free (800) 227-7877, or by visiting STRS Ohio web-site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007 (the latest information currently available), plan members were required to contribute the statutory maximum of 10.0 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were $259,928, $256,246 and $348,909 respectively; 100 percent has been contributed for all fiscal years.

8. Post-employment Benefits

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefits recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2008, the STRS Board allocated employer contributions equal to 1 percent of covered payroll was allocated to post employment health care for the prior three years. For the School, the STRS amounts allocated to post-employment health care for the fiscal years ended June 30, 2008, 2007, and 2006 was $19,994, $16,241, and $24,922 respectively.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling too-free (888) 227-7877.

In additional to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

A. Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retires and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2008 was $96.40, SERS' reimbursement to retirees was $45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2008, the actuarially required allocation was .66%. The School contributions for the year ended June 30, 2008 were $10,017, which equaled the required contributions for the year.

B. Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2008, the health care allocation was 4.18%. The actuarially required contribution (ARC) as of the June 30, 2008 annual valuation is 13.41% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The School contributions for the years ended June 30, 2008, 2007, and 2006 were $60,725, $31,966, and $43,080 respectively.

An Additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated accordingly to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater then 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at $35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications*.

9. Restricted Net Assets:

At June 30, 2008 the School reported restricted net assets totaling $67,500. The nature of the net asset restrictions are as follows:

State specific educational program grants	$12,571
Federal specific educational program grants	54,929
Total	$67,500

10. Contingencies:

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at June 30, 2008.

B. State funding

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The School had it last FTE review performed during the 2007-2008 school year which resulted in an overpayment of $18,243. This amount will be repaid to ODE through deductions from future foundation payments.

C. Litigation

A lawsuit entitled ***Beverly Blount-Hill, et al. v. State of Ohio, et al. Case #3:04CV197*** was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provision of the Ohio Community Schools Act, O.R.C. Section 3314, violates both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools in Ohio. The case is still currently pending, and the effect of this suit, if any, on the School cannot presently be determined.

11. Contracted Fiscal Services:

The School is a party to a fiscal services agreement with Mangen & Associates (M&A) School Resource Center, which is an education finance consulting company. The Agreement's term is for a six month period beginning April 1, 2008 and may be terminated by either party, with or without cause, by giving the other party sixty days written notice to terminate. The Agreement provides that M&A School Resource Center will perform the following functions for the School:

1. Financial Management Services
2. Treasurer Services
3. Payroll Services
4. CCIP Budget / Monitoring Services

The total fee paid for these services during fiscal year 2008 was $30,798.

12. Other Purchased Services:

During the fiscal year ended June 30, 2008, other purchased service expenses for services rendered by various vendors were as follows:

Professional and Technical Services	$ 1,111,257
Building Rental	165,846
Property Services	125,377
Travel Mileage/Meeting Expenses	31,914
Communications	27,851
Utilities	81,730
Contract Craft or Trade Services	1,330
Contractual Fiscal Services	30,798
Other	77,264
Total Purchased Services	$1,653,367

13. Debt Obligations:

Debt obligations of the School as of June 30, 2008 were as follows:

	Balance 6/30/07	Additions	Reductions	Balance 6/30/08	Due in One Year
Park National Bank Note Payable 6.25% Matures 10/17/2010	$137,266	$ -	$(52,881)	$ 84,385	$62,444
Capital Leases	158,250	-	(40,428)	117,822	30,893
Total Obligations	$295,516	$ -	$(93,309)	$202,207	$93,337

The Note payable for the School as of June 30, 2008 is as follows:

A promissory note was issued in Fiscal Year 2003 through Park National Bank. The note has a variable interest rate adjusted to the prime rate every October with the current rate being 7.5%. The proceeds from the note were used to pay off the capital lease of the modular buildings with Tatonka, Inc.

The annual requirement to amortize outstanding note debt as of June 30, 2008, including interest is as follows:

Fiscal Year Ending June 30,	Principal	Interest
2009	$62,444	$4,125
2010	21,941	315
Totals	$84,385	$4,440

14. Capital Leases:

The School entered into capitalized leases for the acquisition of equipment in prior fiscal years. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefit and risk of ownership to the lessee. These capital leases have been recorded as capital assets at the present value of the minimum lease payments as of the inception date. The capital leases are recorded as buildings of $148,717 ($14,670 accumulated depreciation) and furniture and equipment of $70,470 ($14,049 accumulated depreciation).

The following is a schedule of the future minimum lease payments required under the capital leases and present value of the minimum lease payments as of June 30, 2008.

Fiscal Year	
2009	$ 42,492
2010	42,492
2011	42,492
2012	14,170
Total	141,646
Less: Amount representing interest	23,824
Present value of net minimum Lease payments	$117,822

15. Other Leases:

During fiscal year 2000, the School entered into a lease agreement with the Obermiller, LLC for approximately six acres of property and the building located at the School. The initial term of the lease commenced May 1, 2000. An additional two year lease commenced July 1, 2006. Total rent expense for fiscal year 2008 was $174,000.

16. Sponsor:

The School contracted with Educational Resource Consultants of Ohio (ERCO) on April 24, 2006 to provide sponsorship services through June 30, 2011. The School pays ERCO 1.75% of monthly foundation payments. The total fees paid under this contract for fiscal year 2008 totaled $52,217. The sponsor provides oversight, monitoring, treasury and technical assistance for the School.

17. Legal Compliance

26 U.S.C. § 3402 requires employing governments to withhold federal and employment-related taxes. 26 U.S.C § 3403 makes employers liable for payment of the tax deducted and withheld.

In addition, Ohio Revised Code 5747.06(A) requires employing governments to withhold state income tax for their employees. Ohio Revised Code 5747.07(E)(2) requires that each employer required to deduct and withhold any tax is liable for the payment of that amount required to be deducted and withheld, whether or not such taxes have in fact been withheld.

Columbus City code section 361.24 requires that each employer shall be liable for the payment of the tax required to be deducted and withheld, whether or not such taxes have in fact been withheld.

During fiscal year 2008, the School withheld $196,968 in employee federal taxes and employment-related taxes (such as Medicare), $70,044 of state income taxes, and $48,123 of City of Columbus income taxes from employees' compensation but did not remit the amounts to the appropriate agencies.

During fiscal year 2009, the School's management has contacted the appropriate agencies and has begun to remit the amounts owed.

18. Subsequent Events:

On March 26, 2009, the School entered into a lease agreement for a new building located at 3500 Refugee Road in Columbus, Ohio with Innovative Modular Solutions (IMS) for a monthly fee of $56,792. The School has the option to purchase the property from IMS for a total of $8,000,000 if MCS is able to secure financing on or before October, 2009.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
Schedule of Receipts and Expenditures of Federal Awards
For The Fiscal Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Grant Years	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed through Ohio Department of Education:				
Nutrition Cluster:				
School Breakfast Program	10.553	2008	$ 95,569	$ 95,569
National School Lunch Program	10.555	2008	140,832	140,832
Total U.S. Department of Agriculture			236,401	236,401
U.S. DEPARTMENT OF EDUCATION				
Passed through Ohio Department of Education:				
Title I - Part A	84.010	2007/2008	386,150	207,236
Title I - School Improvement Program		2007	-	(5,438)
			386,150	201,798
Special Education Cluster:				
Title VI-B - Special Education Grants to States	84.027	2007/2008	97,741	148,750
IDEA Part B - Special Education Preschool Grants	84.173	2007/2008	1,962	-
Total Special Education Cluster			99,703	148,750
Title IV - Safe and Drug-Free Schools and Communities	84.186	2007/2008	7,883	4,995
Title V - Innovative Education Program	84.298	2007/2008	609	1,341
Title II-D - Education Technology State Grants	84.318	2007/2008	8,072	-
Title II-A - Improving Teacher Quality	84.367	2007/2008	45,102	16,049
Total U.S. Department of Education			547,519	372,933
Total Federal Awards Receipts and Expenditures			$ 783,920	$ 609,334

The accompanying notes are an integral part of this schedule.

Note 1. Basis of Presentation

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the School's federal award programs. The schedule has been prepared on the cash basis of accounting.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Ohio Achievement Charter Schools, Inc.
DBA Millennium Community School
3500 Refugee Road
Columbus, Ohio 43232

To the Board of Trustees:

We have audited the basic financial statements of the Ohio Achievement Charter Schools, Inc., Franklin County, Ohio (the School), as of and for the year ended June 30, 2008, and have issued our report thereon dated May 28, 2009. Except as discussed in that report, wherein we indicated that we were not able to examine sufficient evidence regarding the School's Purchased Services and Materials and Supplies expenses and Miscellaneous Operating Revenues, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2008-001 through 2008-003 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe the significant deficiencies described above as items 2008-001 and 2008-002 are material weaknesses

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described as item 2008-004 in the accompanying Schedule of Findings and Questioned Costs.

We also noted certain additional matters that we reported to management of the School in a separate letter dated May 28, 2009.

The School's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the School's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the audit committee, management, Board of Trustees, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards LLC
May 28, 2009

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Ohio Achievement Charter Schools, Inc.
DBA Millennium Community School
3500 Refugee Road
Columbus, Ohio 43232

To the Board of Trustees:

Compliance

We have audited the compliance of the Ohio Achievement Charter Schools, Inc., Franklin County, Ohio (the School) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*s. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with the requirements that could have a direct and material effect on its major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-005 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs to be a material weakness.

We also noted certain additional matters that we reported to management of the School in a separate letter dated May 28, 2009.

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the audit committee, management, Board of Trustees, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards LLC
May 28, 2009

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505

JUNE 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a) of Circular A-133?	No
(d)(1)(vii)	Major Programs (list):	Title I – Grants to Local Educational Agencies CFDA 84.010 Special Education Cluster: CFDA 84.027 CFDA 84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > $300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2008-001

MATERIAL WEAKNESS: FINANCIAL REPORTING

The compilation and presentation of materially correct financial statements and the related footnotes is the responsibility of management of the School. Independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

Thus, it is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes prior to audit.

As a result of our audit, we identified material misstatements in the School's financial statements, the related footnotes, and the supplemental Schedule of Receipts and Expenditures of Federal Awards. We also identified other misstatements that were not necessarily material but were more than inconsequential. We provided to the Treasurer adjusting entries that were posted to correct the misstatements. The misstatements are an indicator the School needs to improve or strengthen their existing control procedures related to financial reporting.

We recommend the School consider modifying the existing control procedures over the financial reporting process to include an independent review of the financial statements and notes, the related journal entries, and the Schedule of Receipts and Expenditures of Federal Awards. The review should be conducted by an individual that is knowledgeable of generally accepted accounting principles and the review should take place prior to the start of the audit.

Officials' Response

The new Millennium Community School treasurer plans to modify the existing control procedures over the financial reporting process to include an independent review of the financial statements and notes, the related journal entries, and the Schedule of Receipts and Expenditures for Federal Awards.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505

JUNE 30, 2008

Finding Number	2007-002

MATERIAL WEAKNESS: MAINTENANCE OF RECORDS

Ohio Administrative Code Section 117-2-02 (A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

During our procedures, we noted in many instances that the School's records to support financial statement transactions and legal compliance were not maintained in a complete, clear, and organized in manner, as follows:

- For 36 out of the 40 miscellaneous operating revenue receipts (e.g., receipts from food service sales, student activities, rentals, etc.), that we tested, the School did not maintain adequate support documentation;
- Seven of the 75 non-payroll disbursements we tested were not supported by adequate documentation, such as a receipt or invoice from the vendor. For 24 other non-payroll disbursements included in our testing, the School had to contact the vendor in order to obtain a copy of the invoice to support the disbursement;
- The School did not maintain documentation that it properly identified and tracked all students for whom the School is responsible for purposes of compliance with community school funding requirements;
- For 15 out of 20 School employees included in our testing, the School lacked adequate supporting documentation (e.g., an approved timesheet or written contract) for certain non-regular wage payments to employees for such services as after-school tutoring, summer school, substitute teaching, and other special duty services;
- For three out of 20 School employees included in our testing, the School lacked adequate supporting documentation for docks to their pay;
- In regard to capital assets, the School did not maintain a capital asset listing containing necessary information such as an asset description, serial number and location; neither did the School maintain documentation of disposals of capital assets that the School made during the year.

Most of the missing documentation noted above pertained to the period prior to April 1, 2008, subsequent to which, the School's new Treasurer appears to have put in place corrective actions. However, as a result of the missing documentation, we were not able to obtain sufficient evidential matter pertaining to the School's Purchased Services and Materials and Supplies expenses and Miscellaneous Operating Revenue reported in its financial statements.

We recommend the School's management implement policies and procedures to ensure that the School's accounting records are maintained in a sufficient and organized manner to maintain financial accountability and document compliance with legal requirements.

Officials' Response

The Millennium Community School Board hired Mangen & Associates at the end of the fiscal year 2008 to ensure the School's accounting records are maintained in a sufficient and organized manner, maintain financial accountability, and document compliance with all legal requirements.

Finding Number	2008-003

SIGNIFICANT DEFICIENCY: MONITORING CONTROL SYSTEM

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved. Effective monitoring controls should assist management in assessing the quality of internal control performance over time. This process involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions. Monitoring controls should assist management in identifying unexpected results and/or possible misstatements. Some effective monitoring controls include:

- Regular review of monthly financial statements;
- Review of revenues and expenses with independently accumulated information (budgets, past performances, peer group representatives, etc.);
- Review of large or unusual transactions;
- Identification of unusual fluctuations;
- Comparison of financial statement position with financial projections and other internally prepared projections of financial position and operating results;
- Comparison of predefined key performance indicators based on the financial statements;
- Review of items which have been outstanding for extended periods of time (outstanding check listing for payroll and non payroll transactions);
- Monitoring compliance with grant agreements; and
- Review of monthly bank reconciliations by someone independent of their preparation.

Prior to April 1, 2008, neither the Board nor management performed any of the above monitoring on a regular basis, which was documented. Subsequently, the School's new Treasurer appears to have put in place corrective actions. The lack of effective monitoring controls could lead to the misallocation or misstatement of School funds, expenditure of funds contrary to the directives of the governing board, non-compliance with federal or state laws or regulations, which could result in a loss of funding from these sources, and errors or irregularities occurring in financial transactions affecting the bank reconciliations which go undetected. We recommend that management develop and implement monitoring controls over the relevant areas listed above.

Officials' Response

The Millennium Community School Board hired Mangen & Associates at the end of the fiscal year 2008 to develop and implement monitoring controls over all of the relevant areas listed above.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505

JUNE 30, 2008

Finding Number	2008-004

NONCOMPLIANCE: REMITTANCE OF EMPLOYEE WITHHOLDING TAXES

26 U.S.C. § 3402 requires employing governments to withhold federal and employment-related taxes. 26 U.S.C § 3403 makes employers liable for payment of the tax deducted and withheld.

In addition, Ohio Revised Code 5747.06(A) requires employing governments to withhold state income tax for their employees. Ohio Revised Code 5747.07(E)(2) requires that each employer required to deduct and withhold any tax is liable for the payment of that amount required to be deducted and withheld, whether or not such taxes have in fact been withheld.

Columbus City code section 361.24 requires that each employer shall be liable for the payment of the tax required to be deducted and withheld, whether or not such taxes have in fact been withheld.

During fiscal year 2008, the School withheld $196,968 in employee federal taxes and employment-related taxes (such as Medicare), $70,044 of state income taxes, and $48,123 of City of Columbus income taxes from employees' compensation but did not remit the amounts to the appropriate agencies.

During fiscal year 2009, the School's management has contacted the appropriate agencies and has begun to remit the amounts owed. We recommend the Board and management implement controls and procedures to ensure that all withholdings and employment-related taxes are remitted as required by law.

Officials' Response
The Millennium Community School Board hired Mangen & Associates at the end of the fiscal year 2008 to implement controls and procedures to ensure all withholding and employee-related taxes are remitted as required by law.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

CFDA Title and Number	Title 1 Grants to Local Education Agencies – CFDA 84.010 Special Education Cluster Grants to States (Idea, Part B) – CFDA 84.027 Preschool Grants (Idea Preschool) – CFDA 84.173
Grant Year	2007/2008
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education
Finding Number	2008-005

MATERIAL WEAKNESS: FEDERAL NON-PAYROLL DISBURSEMENTS

OMB Circular A-87, Attachment A, Section 8(h)(3), states, in part, to be allowable under Federal awards, costs must adequately documented.

During our testing of both Title I and Special Education Cluster non-payroll expenditures we noted that initially the School could not provide supporting documentation, such as an invoice from the vendor and a purchase requisition, for the majority of the expenditures we selected. After a significant amount of effort, including contacting vendors to obtain copies of invoices, the School was eventually able to provide us with copies of invoices for all but five disbursements for Title I, totaling $3,974, and two disbursements for the Special Education Cluster, totaling $6,276. Since the amount for each major program was less than $10,000, these will not be considered questioned costs. The School was unable to provide us with copies of any purchase requisitions showing advance approval of the disbursement for any of the expenditures we selected.

Without documentation supporting an expenditure, such as a vendor invoice, or documentation of advance approval of the expenditure, the risk is greatly increased that expenditures could be inappropriately charged to a federal grant program. The total non-payroll charges to the Title I grant and Special Education Cluster grant for fiscal year 2008 were $44,305 and $97,218, respectively.

We recommend the School's management implement policies and procedures to ensure that the School's accounting expenditures are properly supported. Also, the School should assign a supervisory official having the requisite knowledge of grant requirements to monitor and approve grant expenditures to ensure that only allowable charges are being made to grant funds. The approval should be properly documented.

Officials' Response and Corrective Action Plan

The Millennium Community School Board hired Mangen & Associates at the end of the fiscal year 2008 to implement policies and procedures to ensure the School's accounting expenditures are properly supported. Mangen & Associates will also provide CCIP supervisory functions related to monitoring and approval of grant expenditures that are aligned with current federal guidelines.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain:***
2007-001	Financial Reporting	No	Not corrected. Reported as finding number 2008-001.
2007-002	Maintenance of Records	No	Not corrected. Reported as finding number 2008-002.
2007-003	Bank Reconciliations	Yes	
2007-004	Federal Non-Payroll Disbursements	No	Not corrected. Reported as finding numbers 2008-005.
2007-005	Federal Payroll Documentation	Yes	

Mary Taylor, CPA
Auditor of State

OHIO ACHIEVEMENT CHARTER SCHOOLS, INC. DBA MILLENIUM COMMUNITY SCHOOL

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 19, 2010

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